

PUBLIC SERVICE AUTHORITY BOARD OF DIRECTORS
JANUARY 11, 2011

At a regular meeting of the Public Service Authority Board of Directors held on Tuesday, January 11, 2011 at 9:00 a.m. in the Board Room of the County Administration Building, 143 Third Street, NW, in the Town of Pulaski, Virginia, the following Board members were present: Doug Warren, Chairman; Hollis Loyd, Secretary/Treasurer; Dave Dean; and Jerry White. Absent from the meeting was Pete Crawford, Vice-Chairman. Also present was Alternate Board member Frank Conner who served as a voting member in Pete Crawford's absence. Staff members present included: Peter Huber, County Administrator; Robert Hiss, Assistant County Administrator; Diane Newby, Finance Director; Debbie Boyd, PSA Billing staff; and Gena Hanks, Executive Secretary.

Dr. Warren called the meeting to order and advised Mr. Crawford would be unable to attend the meeting.

1. Citizen Comments

Dr. Warren opened the meeting for citizen comments.

Mr. Huber introduced John Goad, the new senior operator with the Water Treatment Plant who holds a Class 1 license. Mr. Huber also advised a vacancy continued to exist at the Water Treatment Plant and that the position had been advertised.

Dr. Warren inquired as to the response by employees to the distribution of the recent bonuses provided to employees. Mr. Huber advised bonuses were well received and also described situations where employees out of work due to workman's compensation did not qualify for receiving the bonuses.

2. Finance

a. Follow-up from December Board Meeting

1. Scheduling of Public Hearing on Connection Fee Changes

Mr. Huber described the draft public hearing notice and requested Board members input to any suggestions for changes. Board members questioned if any other methods existed prior to scheduling the hearing regarding billing for non-sewer water usage, any potential savings to be seen if new fees are implemented, and the potential for renting meters.

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By consensus, the Board approved advertising for a public hearing to be held at the April 12th PSA Board meeting.

2. Update on Procedures Used by Town of Blacksburg re: Billing for Outside Water Usage

Dr. Warren noted the Blacksburg policy allows for a meter to become the owner's personal property once the meter is purchased.

Mr. Huber advised the best solution would be for the meter to remain as property of the PSA and not that of the property owner.

3. Update on Hubbard Way Request for Sewer Service

As reported in the Board packet, Mr. Huber described a compilation of the results received to date indicating 76.9% responding with 80% being in favor of the project.

Board members questioned the costs for contracting the work required to begin the process.

Mr. Huber advised work to be contracted out could cost as much as \$10,000, with the work including contracting with the New River Valley Planning District Commission for an environmental assessment as required by Rural Development; soliciting engineering assistance from adjacent localities or a professional firm in finalizing the preliminary engineering study and designing the proposed collection lines connecting to the Pepper's Ferry main line; and a request for authorization from the Pepper's Ferry Regional Wastewater Treatment Authority to enter the main line with this neighborhood collection line.

On a motion by Mr. Loyd, seconded by Mr. White and carried, the Board approved staff proceeding with the studies required for beginning the process for installing sewer service to Hubbard Way.

Voting yes: Mr. Conner, Mr. Dean, Dr. Warren, Mr. Loyd,
Mr. White.

Voting no: none.

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Not present: Mr. Crawford

b. Review of Financial Report

Ms. Newby reviewed in detail the report noting the report included a breakdown by departments. Ms. Newby advised all PSA departments are losing money except for the Refuse Department. Board members questioned the cause for the loss.

Ms. Newby and Mr. Huber explained several factors were likely contributing to the loss including an increase in utility costs. Board members requested staff amend the financial report to include a column providing for a line item comparison over time for each department.

Mr. Loyd questioned the method used for reporting debt service payments. Ms. Newby and Mr. Huber explained that not including debt service in operational costs would result in a misleading analysis since the PSA did not have a choice in paying debt service.

On a motion by Mr. White, seconded by Mr. Loyd and carried, the Board reviewed and accepted the revenues and expenditures summaries, as submitted by Ms. Newby.

Voting yes: Mr. Conner, Mr. Dean, Dr. Warren, Mr. Loyd,
Mr. White.

Voting no: none.

Not present: Mr. Crawford

c. Balance Due & Lien Report

Mr. Loyd questioned the timing of when liens are placed on property and requested staff focus on issuing liens.

Mr. Dean requested the definition of a "non-user". Mr. Huber described the non-user status for both water and garbage customers. Mr. Dean also questioned if the figures on the reports included non-user garbage customers. Mr. Huber advised it was likely that the figures include some inactive garbage customers. Mr. Loyd requested staff provide a breakdown of non-users, if possible.

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By consensus, the Board accepted the following balance due and lien report:

Balance Due	10/1/2010	11/1/2010	12/2/2010	1/4/2011
Current Balance	574,050.04	415,134.79	385,500.26	594,235.45
Over 30 Days	42,736.28	77,200.46	47,804.75	32,156.13
Over 60 Days	13,218.39	11,091.71	33,688.02	38,350.43
Over 90 Days	683,472.90	688,983.70	693,931.64	696,053.01
Total	\$ 1,313,477.61	\$ 1,192,410.66	\$ 1,160,924.67	\$ 1,360,795.02
Liens	\$ 351,816.76	\$ 351,816.76	\$ 350,105.65	\$ 350,105.65

Details of Accounts Delinquent for 90 days or more

Detail by type of customer and level of service billed for

	Garbage & Water	Sewer Only	Garbage Only	Total
Residential	21,522.03	7,572.88	492,736.30	\$ 521,831.21
Commercial	2,057.47	-	15,450.94	\$ 17,508.41
Nonuser	156,713.39	-	-	\$ 156,713.39
Total	\$ 180,292.89	\$ 7,572.88	\$ 508,187.24	\$ 696,053.01

Detail by type of customer and active, inactive and non-user accounts

	Inactive	Nouser	Active	Total
Residential Water	18,745.86	156,713.39	2,776.17	178,235.42
Commercial Water	1,855.08	-	202.39	2,057.47
Residential Garbage	29,297.01	-	463,439.29	492,736.30
Commercial Garbage	11,789.40	-	3,661.54	15,450.94
Sewer	1,906.52	-	5,666.36	7,572.88
Total	\$ 63,593.87	\$ 156,713.39	\$ 475,745.75	\$ 696,053.01

d. Budget Adjustments

Mr. Loyd questioned if the budget adjustment presented was for the employee bonus and noted the amount was lower than previously reported. Ms. Newby advised the adjustment was for the employee bonus.

On a motion by Mr. Loyd, seconded by Mr. Dean and carried, the Board approved the following budget adjustments:

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PSA FUND #6

Account Number	Account Title	Amount Increase (Decrease)
<u>REVENUES:</u>		
3-500-041050-1100	Transfer from Reserves	\$ 53,038.38
	TOTAL	\$ 53,038.38
<u>EXPENDITURES:</u>		
4-500-042310-1170	Residential Refuse Salaries & Wages	\$ 23,822.48
4-500-042310-1370	Residential Refuse Part-Time Salaries & Wages	812.12
4-500-042310-2100	Residential Refuse FICA	1,884.61
4-500-042320-1370	Recycling/Drop Centers Part-Time Salaries	3,248.48
4-500-042320-2100	Recycling/Drop Centers FICA	248.52
4-500-042330-1170	Dumpsters/Commercial Refuse Salaries & Wages	2,165.68
4-500-042330-1370	Dumpsters/Commercial Refuse Part-Time Salaries	812.12
4-500-042330-2100	Dumpsters/Commercial Refuse FICA	227.81
4-500-042340-1170	Roll Off Refuse Salaries & Wages	3,248.52
4-500-042340-2100	Roll Off Refuse FICA	248.52
4-500-045100-1100	PSA Administration Salaries & Wages	1,082.84
4-500-045100-2100	PSA Administration FICA	82.84
4-500-045200-1114	PSA Billing Salaries & Wages	2,165.68
4-500-045200-2100	PSA Billing FICA	165.68
4-500-046100-1170	Water Service Salaries & Wages	5,414.20
4-500-046100-2100	Water Service FICA	414.20
4-500-046200-1170	Water Treatment Plant Salaries & Wages	5,414.20
4-500-046200-2100	Water Treatment Plant FICA	414.20
4-500-047100-1170	Sewer Collection Salaries & Wages	1,082.84
4-500-047100-2100	Sewer Collection FICA	82.84
	TOTAL	\$ 53,038.38

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Voting yes: Mr. Conner, Mr. Dean, Dr. Warren, Mr. Loyd,
Mr. White.

Voting no: none.

Not present: Mr. Crawford

e. Billing Adjustments

On a motion by Mr. Loyd, seconded by Mr. White and carried, the Board approved a billing adjustment totaling a credit adjustment of \$1,842.05.

Voting yes: Mr. Conner, Mr. Dean, Dr. Warren, Mr. Loyd,
Mr. White.

Voting no: none.

Not present: Mr. Crawford

f. Accounts Payable

On a motion, seconded by Mr. White, seconded by Mr. Loyd and carried, the Board approved accounts payable for checks numbered 8004751 through 8004877, subject to audit.

Voting yes: Mr. Dean, Dr. Warren, Mr. Loyd, Mr. White.

Voting no: none.

Not present: Mr. Crawford.

g. Central Project Funding

Staff reported the construction of the PSA's portion of this project is now completed and public water and/or sewer service has been provided to Polyester, Lee Highway, Tiny Town and Mabry trailer parks as well as the Hidden Valley Campground.

Board members questioned the method used for collecting money from the mobile home parks, specifically inquiring if money is collected from the mobile home park owner prior to connecting to lines. Mr. Huber advised Rural Development finances the lines and the mobile home park owner pays connection fees with tenants paying for debt service unless the number of customers drops below the amount required to pay debt

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service in which case the mobile home park owner is required to pay the difference.

h. Authorizing Resolution

Mr. Huber described efforts to streamline the closing for the Commerce Park Utility project, Bond Counsel and Rural Development and staff's recommendation to combining the original and additional loans into one closing and one authorizing resolution.

On a motion by Mr. White, seconded by Mr. Loyd and carried, the Board approved the following loan resolution:

A RESOLUTION AUTHORIZING THE CONSTRUCTION AND FINANCING OF IMPROVEMENTS TO THE WATER AND SEWER SYSTEM OF THE PULASKI COUNTY PUBLIC SERVICE AUTHORITY AND THE ISSUANCE, SALE AND AWARD OF WATER AND SEWER REVENUE BONDS NOT TO EXCEED \$4,741,000, PROVIDING FOR THE FORM, DETAILS AND PAYMENT THEREOF, AND REPEALING A PRIOR RESOLUTION

WHEREAS, the Pulaski County Public Service Authority (the "Authority") is a public body politic and corporate of the Commonwealth of Virginia duly created pursuant to the Virginia Water and Waste Authorities Act (the "Act") by the Board of Supervisors of Pulaski County, Virginia, and by a certificate of incorporation issued February 4, 1970, by the State Corporation Commission of Virginia; and

WHEREAS, the Authority has determined to construct water and sewer improvements to its water and sewer systems in order to serve the Commerce Park area of Pulaski County and to issue its revenue bonds, the proceeds of which, together with other available funds, are estimated to be sufficient to pay the cost of the Project hereinafter authorized; and

WHEREAS, the United States of America, acting through Rural Utilities Service, United States Department of Agriculture (the "Government"), has offered to purchase such revenue bonds upon certain terms and conditions, and the Authority, after mature consideration of the condition of the municipal bond market and other methods of selling its bonds, has determined to satisfy such terms and conditions and award the bond to the Government.

WHEREAS, the Authority has previously adopted a resolution authorizing the issuance of a bond to pay the cost of the Project, in a lesser amount than that authorized here, such bond has not yet been issued, and the Authority desires to repeal such resolution.

BE IT RESOLVED BY THE PULASKI COUNTY PUBLIC SERVICE AUTHORITY:

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ARTICLE I

Definitions

Section 1.1. Definitions. Whenever used in this resolution, unless a different meaning clearly appears from the context:

“Act” shall mean the Virginia Water and Waste Authorities Act (Chapter 51, Title 15.2, Code of Virginia of 1950, as amended).

“Additional Bonds” shall mean any bonds issued pursuant to Article V and secured on parity with the Bonds by a pledge of the Revenues.

“Authority” shall mean the Pulaski County Public Service Authority, a public body politic and corporate of the Commonwealth of Virginia duly created pursuant to the Act by the Board of Supervisors of Pulaski County, Virginia, and by a certificate of incorporation issued by the State Corporation Commission of Virginia on February 4, 1970.

“Bonds” shall mean the Project Bonds and any Additional Bonds issued hereunder.

“Closing Date” shall mean the date on which the Project Bonds are delivered to the Government in accordance with this resolution.

“County” shall mean Pulaski County, Virginia.

“Government” shall mean the United States of America, acting through Rural Utilities Service, United States Department of Agriculture, its successors and assigns.

“Maximum Amount” shall mean \$4,741,000.

“Operating Expenses” shall mean the reasonable and necessary expenses of operation, administration, maintenance and repair of the System, excluding any allowance for depreciation, the deposits or transfers to the Debt Service Fund or the Reserve Fund required hereunder, and expenditures for capital improvements or extensions to the System.

“Project” shall mean such equipment and facilities as may be appropriate to construct water and sewer improvements to serve the Commerce Park area of the County substantially as described in plans and specifications prepared by the Consulting Engineer as now or hereafter approved by the Government.

“Project Bonds” shall mean the Authority’s revenue bonds issued pursuant to this resolution.

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“Revenues” shall mean all revenues, income, and receipts now or hereafter derived or received by, or otherwise credited to, the Authority for the use of or the services furnished by, or for the benefit from, the System, including the interest income from the investment or deposit of money in any fund created by this resolution or a supplemental resolution in connection with the System, but “Revenues” shall not mean or include any customer deposits held by the Authority until such deposits become the property of the Authority.

“System” means all plants, systems, facilities, equipment or property, including but not limited to the Project, owned, operated or maintained by the Authority and used in connection with the collection, storage, treatment or distribution of water or the collection or treatment of wastewater; provided however; that “System” shall not mean or include any plants, systems, facilities, equipment or property that are owned by the County but operated by the Authority in connection with any of the water or sewer activities described above.

ARTICLE II

Authorization of Project

Section 2.1. The Project. In order to provide water and sewer service to the Commerce Park area of the County, the construction and equipping of the Project is hereby authorized. The Project may be modified by the Authority; provided, however, that any modification that affects any portion of the Project financed with proceeds of the Project Bonds shall have been approved and recommended in writing by the Consulting Engineer and the Government and nothing herein shall limit the provisions of any agreements executed in connection with the financing of any other portion of the Project.

Section 2.2. Project Made Part of System. All improvements, extensions, additions and replacements constituting the Project financed in part or in whole by the issuance of the Project Bonds shall be a part of the System.

ARTICLE III

Authorization, Form, Execution, Delivery,
Registration and Prepayment of Project Bonds

Section 3.1. Authorization of Project Bonds. Pursuant to the Act, there are hereby authorized to be issued and sold water and sewer revenue bonds of the Authority in a principal amount not to exceed the Maximum Amount (the “Project Bonds”), to provide funds, together with other available funds, to finance the cost of the Project.

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Section 3.2. Award of Project Bonds. After mature consideration of the methods of sale of such bond and current conditions of the municipal bond market, it is hereby determined that it is in the best interest of the Authority and the County for the Authority to accept the offer of the Government to purchase the Project Bonds upon certain terms and conditions set forth in the Government's letter dated August 3, 2010, as amended by letter dated November 18, 2010, copies of which have been presented to the Authority at the meeting at which this resolution is adopted. Such offer is hereby accepted, and the Authority hereby agrees to meet such terms and conditions.

Section 3.3. Details of the Project Bonds.

(a) The Project Bonds shall be issuable as bonds in the principal amounts, and shall bear interest at the rates, as determined in accordance with subsection (b) below. The Project Bonds shall be in fully registered form, and shall be dated the date of the Closing Date. The principal of and interest on the Project Bonds shall be due and payable in the amounts and on the dates established in accordance with subsection (b) below.

(b) Each of the Chairman and Vice Chairman of the Authority is hereby authorized to determine and approve all of the other final details of each Project Bond, including, but not limited to, its description and series designation, dated date, original principal amount, interest rate or rates and payment dates of interest, the payment dates of principal, and the amount of each principal payment; provided, however that:

- (i) the original aggregate principal amount of the Project Bonds shall not exceed the Maximum Amount;
- (ii) no interest rate on a Project Bond shall exceed 2.375% per annum; and
- (iii) the due date of the last installment of principal is not later than 40 years after the date of the Project Bonds.

Such officer's determination and approval of the final details of the Project Bonds shall be evidenced conclusively by such officer's execution and delivery of the Project Bonds in accordance with Sections 3.6 and 3.9 hereof.

(c) Any payment on the Project Bonds shall be applied first to interest accrued to the payment date and then to principal. Installments shall be payable in lawful money of the United States of America by check or draft mailed to the registered owner of the Project Bonds at its address as it appears on the registration books, except that the final installment on a Project Bond shall be payable upon presentation and surrender of the Project Bond at the office of the Secretary of the Authority who is hereby appointed Registrar.

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Section 3.4. Alternate Provisions. At the request of the Government, a Project Bond may be delivered as a fully registered bond in the alternative form contained herein providing for principal advances to be made from time to time by the Government in aggregate amounts not to exceed the face amount of the Project Bonds. An authorized officer of the Government shall enter the amount and the date of each such principal advance on the Certificate of Principal Advances attached to the Project Bond when the proceeds of such advance are delivered to the Authority. Each such principal advance shall bear interest from the date of such advance so entered on the certificate.

Section 3.5. Prepayment. Installments of principal due on the Project Bonds may be prepaid at the option of the Authority at any time as a whole or in part from time to time (but if in part, in inverse order of their maturities), without premium, from any proceeds of the Project Bonds remaining after completion of the Project, any proceeds derived by the Authority from the sale or other disposition of a portion of the System, including the proceeds of insurance or condemnation awards, or any other source. Notwithstanding the above, the Authority may at any time deliver moneys to the Government with instructions that such moneys be credited against future installments due on the Project Bonds in inverse chronological order. Prepayments shall not affect the obligation of the Authority to pay the remaining installments payable as provided in the Project Bonds.

Section 3.6. Execution of Project Bonds. The Project Bonds shall be signed by the Chairman or Vice Chairman of the Authority and the Authority's seal shall be affixed thereto and attested by the Authority's Secretary.

Section 3.7. Form of Project Bonds. The Project Bonds shall be in substantially the following form:

No. R-__ \$ _____

UNITED STATES OF AMERICA

COMMONWEALTH OF VIRGINIA

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

Water and Sewer Revenue Bond, Series of _____
(Commerce Park Project)

Dated: _____

The Pulaski County Public Service Authority, a political subdivision of the Commonwealth of Virginia (the "Authority"), for value received, hereby promises to pay, solely

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from the revenues described and pledged in the Bond Resolution, as hereafter defined, to the payment hereof, to the United States of America, or registered assigns, the principal sum [equal to the aggregate amount of principal advances shown on the attached Certificate of Principal Advances, but not to exceed the sum¹] of

_____ DOLLARS
(\$_____)

and to pay, solely from such source, to the registered owner hereof interest on the unpaid principal from the date [hereof] [of each principal advance shown on the attached Certificate of Principal Advances] until payment of the entire principal sum at the rate of _____ percent (____%) per year. Interest only is payable on _____, and on _____. Installments of combined principal and interest of \$_____ are payable beginning _____, and continuing on the same day of each month thereafter until the principal of this bond is paid in full. Any payment on this bond shall be applied first to interest accrued to such payment date and then to principal. If not sooner paid, the final installment shall be due and payable 40 years from the date hereof. Such installments shall be payable in lawful money of the United States of America by check or draft mailed to the registered owner at its address as it appears on the registration books kept for that purpose at the office of the Authority's Secretary who has been appointed Registrar, except that the final installment shall be payable upon presentation and surrender hereof at the office of the Registrar.

This bond is one of a series of bonds in the aggregate principal amount of \$_____ (the "Bonds"), of like date and tenor as this bond except as to number, interest rate, principal amount and payments, that have been authorized pursuant to a resolution duly adopted by the Authority on _____ (the "Bond Resolution"). The Bonds are issued pursuant to the Virginia Water and Waste Authorities Act (Chapter 51, Title 15.2, Code of Virginia of 1950, as amended) (the "Act"), to provide funds, together with other available funds, to finance the cost of improvements to the "System," as defined in the Bond Resolution. Reference is hereby made to the Bond Resolution and any amendments thereto for the provisions, among others, describing the pledge and covenants securing the Bonds, the nature and extent of the security, the terms and conditions upon which the Bonds are issued, the rights and obligations of the Authority and the rights of the bondholder. Capitalized terms used in this bond and not otherwise defined have the meanings given them in the Bond Resolution.

Both principal of and interest on the Bonds are payable solely from the Revenues of the System pledged thereto in the Bond Resolution, and nothing herein or in the Bond Resolution shall be deemed to create or constitute an indebtedness of or a pledge of the faith and credit of the Commonwealth of Virginia or any county, city, town or other political subdivision of the Commonwealth.

¹Alternative language to be used if the Government requests provision for principal advances.

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The lien of the pledge of Revenues securing the payment of the Bonds is on parity with the lien of a pledge of Revenues securing the following bonds issued by the Authority:

- (a) \$130,000 Water and Sewer Revenue Bond, Series of 1993; and
- (b) \$4,300,000 Public Service System Revenue Bond, Series 2004.

This bond is fully registered as to both principal and interest in the name of United States of America. Transfer of this bond may be registered upon the registration books of the Registrar. Prior to due presentment for registration of transfer the Registrar shall treat the registered owner as the person exclusively entitled to payment of principal and interest and the exercise of all other rights and powers of the owner.

Additional bonds secured equally and ratably with the Bonds may be issued from time to time under the conditions, limitations and restrictions set forth in the Bond Resolution.

Installments of principal due on this bond may be prepaid at the option of the Authority at any time as a whole or in part from time to time (but if in part, in inverse order of their maturities), without premium. Prepayments of installments of principal shall not affect the obligation of the Authority to pay the remaining installments payable as provided above.

All acts, conditions and things required by the Constitution and statutes of the Commonwealth of Virginia to happen, exist or be performed precedent to and in the issuance of this bond have happened, exist and have been performed.

IN WITNESS WHEREOF, the Authority has caused this bond to be signed by the Chairman of the Authority, its seal to be affixed hereto and attested by the Secretary of the Authority, and this bond to be dated the date first shown above.

(SEAL)

ATTEST:

[NOT FOR SIGNATURE]

Secretary, Pulaski County Public Service
Authority

[NOT FOR SIGNATURE]

Chairman, Pulaski County Public Service
Authority

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CERTIFICATE OF PRINCIPAL ADVANCES²

The amount and date of principal advances not to exceed the face amount hereof shall be entered hereon by an authorized officer of the United States of America, when the proceeds of each such principal advance are delivered to the Authority.

<u>Amount</u>	<u>Date</u>	<u>Authorized Signature</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

Section 3.8. Registration and Exchange of Project Bonds. Transfer of the Project Bonds may be registered upon books maintained for that purpose at the office of the Registrar. Prior to due presentment for registration of transfer the Registrar shall treat the registered owner as the person exclusively entitled to payment of principal and interest and the exercise of all other rights and powers of the owner.

Section 3.9. Delivery of Project Bonds. The Chairman, Vice Chairman and the Secretary of the Authority are hereby authorized and directed to take all proper steps to have the Project Bonds prepared and executed in accordance with their terms and to deliver the Project Bonds to the Government upon payment of the purchase price therefor or upon the Government's agreement to disburse the principal thereof to the Authority.

ARTICLE IV

Revenues and Funds

Section 4.1. Revenue Covenants. It is hereby covenanted and agreed with the holders of the Bonds that so long as any of the Bonds are outstanding the Authority will:

(a) fix, charge and collect such rates, fees and other charges to users of or for the services furnished by the System and from time to time revise such rates, fees and charges so as to produce sufficient revenues in each fiscal year to equal an amount required to pay (i) the Operating Expenses which shall accrue or become payable during the then current fiscal year and (ii) the amounts required by Section 4.3 to be paid during the then current fiscal year into the Debt Service Fund and Reserve Fund;

²Certificate of Principal Advances to be used if the Government requests provision for principal advances.

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(b) apply the Revenues as provided in Section 4.3; and

(c) segregate and keep segregated from all other funds of the Authority all Revenues, and keep proper records and accounts therefor, separate and apart from all other records and accounts of the Authority.

Section 4.2. Free Service; Enforcement of Charges.

(a) So long as any of the Bonds are outstanding the Authority shall not permit connections to or use of the System or provide any services of the System without making a charge therefor.

(b) If any rates, fees or charges for the use of and for the services furnished by the System shall not be paid within 60 days after the same shall become due and payable, or within such shorter time as may be determined by the Authority, at the expiration of such period the Authority shall disconnect the premises from the System or otherwise suspend service to such premises until such delinquent rates, fees or charges and any interest, penalties or charges for reconnection shall have been paid in full; provided, however, that such services shall not be suspended if the State Health Commissioner shall have found and shall certify to the Authority that suspending such services will endanger the health of the persons occupying such premises or the health of others.

(c) The Authority shall take all such action as may be necessary to perfect liens upon real estate for the amount of any unpaid rates, fees, or charges described in Section 4.2(b) above or any unpaid connection charges or other charges so that such liens will be binding upon subsequent bona fide purchasers for valuable consideration without actual notice thereof.

Section 4.3. Accounts and Funds. The following special funds are hereby established and shall be held by the Authority for the following purposes:

Construction Fund: Simultaneously with the delivery of a Project Bond the proceeds from the sale thereof shall be deposited in the Construction Fund and shall be applied to the cost of the Project, unless the Project Bond is issued in the alternative form providing for periodic advances, in which case the amount of any such advance may be immediately applied to the cost of the Project. Payments for the Project shall be made from the Construction Fund on checks signed by an authorized representative of the Authority and countersigned by an authorized representative of the Government. The Authority shall preserve at its office accurate records available at all times which show that payments from the Construction Fund or, if applicable, advances under the Project Bond were made solely to pay costs of the Project. Any balance remaining in the Construction Fund shall, at the option of the Authority, be used to prepay installments of principal and interest on the Project Bonds or shall be transferred to the Reserve Fund.

Revenue Fund: All Revenues shall be collected and, so far as may be practicable, deposited not less frequently than weekly in the Revenue Fund. Moneys on deposit in the Revenue Fund shall be used only in the manner and priority set out below.

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Debt Service Fund: Each month the Authority shall transfer from the Revenue Fund to the Debt Service Fund an amount equal to the installments of interest or principal and interest, as the case may be, coming due on the Project Bonds that month. If there should be insufficient moneys in the Revenue Fund and the Reserve Fund for this purpose, the deficit shall be added to the required payment for the month or months next ensuing until such deficit is eliminated. When the balances in the Debt Service Fund and the Reserve Fund shall equal the principal of and interest on the Project Bonds then outstanding to their respective maturities, no further transfers to the Debt Service Fund shall be required. The Authority shall pay installments of principal and interest on the Project Bonds from the Debt Service Fund as the same become due.

Operation and Maintenance Fund: Each month, after making the transfer to the Debt Service Fund required above, the Authority shall transfer from the Revenue Fund to the Operation and Maintenance Fund such amount, if any, needed to increase the balance in the Operation and Maintenance Fund to the sum of (a) the amount of the Operating Expenses for the current month and (b) the aggregate amount of all checks outstanding and unpaid drawn upon the Operation and Maintenance Fund. Each month the Authority shall pay from the Operation and Maintenance Fund all Operating Expenses for the then current month.

Reserve Fund: Each month, after making the transfers to the Debt Service Fund and the Operation and Maintenance Fund required above, the Authority shall transfer an amount equal to 10% of monthly installments of principal and interest on the Project Bonds from the Revenue Fund to the Reserve Fund, until there has been accumulated and maintained therein an amount equal to twelve (12) such installments, after which no further deposits shall be required except to eliminate any deficiency in the Reserve Fund. The Reserve Fund shall be used, with the prior written approval of the Government, to make transfers to the Debt Service Fund to the extent necessary (a) to pay the principal of and interest on the Bonds as the same become due in the event the balance on the Debt Service Fund is insufficient therefor, (b) to pay the cost of repairing or replacing any damage to the System, or (c) to pay the cost of extensions or improvements to the System.

Section 4.4. Pledge of System Revenues. As security for the payment of the principal of, premium, if any, and interest on all Bonds, the Authority, pursuant to and in accordance with the provisions of the Act and Section 2.2-4902.1 of the Code of Virginia of 1950, as amended, does hereby pledge all of the Authority's right, title and interest to, in and under the Revenues, for the equal and ratable benefit of all present and future owners of the Bonds, without preference, priority or distinction of any Bond over any other Bond; subject only to the right to make application thereof to other purposes as provided in this Resolution. The lien of the pledge of Revenues securing the Bonds is intended to be on parity with the lien of the pledge of any Revenues securing the following bonds issued by the Authority, provided either that the holders of such bonds consent in writing to such parity or that such parity is otherwise obtained in accordance with the terms and provisions of any resolutions or agreements governing the issuance of the following bonds:

- (a) \$130,000 Water and Sewer Revenue Bond, Series of 1993; and
- (b) \$4,300,000 Public Service System Revenue Bond, Series 2004.

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Section 4.5 Limited Obligation. Both principal and interest on the Project Bonds are payable solely from the Revenues pledged hereby, and nothing in this resolution or in the Project Bonds shall be deemed to create or constitute an indebtedness of or a pledge of the faith and credit of the Commonwealth of Virginia or any county, city, town or other political subdivision of the Commonwealth.

ARTICLE V

Additional Bonds

Section 5.1. Issuance of Additional Bonds. The Authority may issue additional bonds secured on a parity with the Bonds then outstanding by a pledge of the Revenues of the System (the "Additional Bonds") to finance the cost of completing the Project or the acquisition or construction of improvements, extensions, additions or replacements to equipment or betterments of and any property, rights or easements deemed by the Authority to be necessary, useful or convenient for the System or to refund any Bonds. Additional Bonds shall be in such form, shall be dated such date, shall mature in such installments of principal and interest, shall bear interest at such rate or rates, shall be in such denomination or denominations and may contain such provisions for prepayment prior to their respective maturities, all as provided by the Authority by resolution adopted prior to their issuance. Additional Bonds shall contain an appropriate series designation.

Section 5.2. Conditions of Issuance. The Authority shall not issue any Additional Bonds unless there shall have been filed with the Authority and, if the Government is the owner of the Initial Bond or of any Additional Bonds, with the Government, the following:

(a) a certified copy of a resolution of the Authority in form complying with the foregoing provisions specifying or providing for all the terms of the Additional Bonds and, if applicable, stating the cost of the acquisition or construction of any improvements, extensions, additions or replacements to equipment or betterments of and any property, rights or easements to be acquired or constructed and finding and ordering that such improvements, extensions, additions and replacements shall be a part of, or are necessary, useful or convenient for, the System;

(b) a certified copy of a resolution of the Authority awarding the Additional Bonds, specifying or providing for the interest rate or rates and directing the delivery of such Additional Bonds to the purchaser named therein upon payment of the purchase price set forth therein;

(c) if the Additional Bonds are to be issued to complete the Project, a certificate of the Consulting Engineer to that effect;

(d) if the Additional Bonds are to be issued for any purpose other than the refunding of Bonds or the completion of the Project, either (i) a certificate of an independent certified public accountant stating that the amount of the Revenues less Operating Expenses for the fiscal year preceding the year in which the proposed Additional Bonds are to be issued was not less than one hundred twenty percent (120%) of the average annual principal and interest requirements for the Bonds then outstanding and the Additional Bonds to be

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issued, or (ii) the written consent of the holders of three-fourths in aggregate principal amount of the Bonds outstanding;

(e) a certificate of the Authority, signed by the Chairman or Vice-Chairman of the Authority, that the Authority is in compliance with all covenants and undertakings in connection with this resolution and any supplemental resolution authorizing Additional Bonds which remain outstanding;

(f) if the Project Bonds or any Additional Bonds are held by the Government, the written consent of the Government to the issuance of the Additional Bonds; and

(g) the written opinion or opinions of counsel for the Authority stating that the issuance of the Additional Bonds has been duly authorized and that all conditions precedent to their delivery have been fulfilled.

ARTICLE VI

Covenants

Section 6.1. Refinancing. The Authority shall refinance the unpaid principal balance of the Project Bonds upon the request of the Government if at any time it shall appear to the Government that the Authority is able to do so with funds obtained from responsible private sources at reasonable rates and terms for loans for similar purposes and periods of time.

Section 6.2 Payment of Bonds. The Authority shall pay promptly, as provided herein, the principal of and interest on each of the Project Bonds, but such principal and interest shall be payable solely from the revenues pledged herein, and nothing in the Project Bonds or in this resolution shall be deemed to create or constitute a general obligation of or a pledge of the faith and credit of the Commonwealth of Virginia or of any county, city, town or other political subdivision of the Commonwealth.

Section 6.3. Construction of Project. The Authority shall obtain all approvals, permits and consents required by law as a condition precedent to the acquisition, construction, development and operation of all parts of the Project and shall complete the construction of the Project in a sound and economical manner and in conformity with all applicable requirements of the Government and all other governmental authorities and do all acts and things necessary and reasonable so that the Authority may begin to collect revenues from the Project at the earliest practicable time.

Section 6.4. Operation and Maintenance. The Authority shall operate the System in an efficient and economical manner, maintain the same in good condition and make all necessary repairs, replacements and renewals. All compensation, salaries, fees and wages paid by it in connection with the operation, maintenance and repair of the System shall be reasonable. The Authority shall observe and perform all of the terms and conditions contained in the Act and comply with all applicable state and federal laws.

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Section 6.5. Competition. The Authority shall not operate or assent to the operation of any utility service in competition with the System.

Section 6.6. Consulting Engineer. At the request of the Government, the Authority shall employ as Consulting Engineer an engineering firm or individual engineer of recognized standing and experience in the field of civil engineering registered in the Commonwealth of Virginia, whose duties shall include supervision of the construction of the Project and advice as to proper operation, maintenance and repair of the System.

Section 6.7. Sale or Encumbrance. The Authority shall not sell, transfer, lease or otherwise encumber the System or any portion thereof, nor permit others to do so, without the prior written consent of the Government.

Section 6.8. Title to Lands. All parts of the System shall be located on lands to which title in fee simple or over which valid perpetual easements, in either case sufficient for the purposes of the System, are owned by the Authority.

Section 6.9. Records and Reports. The Authority shall establish and maintain such books and records relating to the operation of the System and its financial condition and provide for an annual audit, all in such manner as may be required by the Government. Copies of all such audits shall be submitted to the Government as soon as they are obtained by the Authority. The Authority shall prepare and submit to the Government such additional information and reports as the Government may from time to time reasonably require.

Section 6.10. Access to Books and System. The Authority shall provide to the Government at all reasonable times access to all books and records relating to the System and access to the property of the System so that the Government may ascertain that the Authority is in compliance with all the provisions of this resolution and all other instruments incident to the purchase of the Project Bonds by the Government.

Section 6.11. Insurance. The Authority shall acquire and maintain such insurance coverage as may be required by the Government, including without limitation:

- (a) public liability insurance with limits acceptable to the Government;
- (b) workers' compensation insurance on all employees of the Authority in accordance with the laws of the Commonwealth of Virginia.
- (c) fidelity bonds on all officers and employees of the Authority entrusted with the receipt or disbursement of funds of the System in an amount not less than the maximum amount of annual debt service on the Bonds and any other debt of the Authority to the Government, with the Authority naming the Government as a co-obligee;
- (d) flood insurance covering all structures forming a part of the System located in any designated special flood or mudslide-prone areas; and
- (e) real property insurance (including fire and extended coverage) to the extent of their insurable value, on all above-ground structures, including machinery and

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equipment housed therein, but not including water reservoirs, standpipes, elevated tanks or noncombustible materials used in treatment plants, clearwells, filters and the like.

ARTICLE VII

Defaults and Remedies

Section 7.1. Default and Remedies. Upon default by the Authority (a) in the payment of principal of or interest on the Bonds, (b) in the performance of any covenant or agreement contained in the Bonds or in this resolution or (c) upon the occurrence of certain events of bankruptcy of the Authority, the holder of the Project Bonds at its option may:

(a) declare the entire unpaid principal amount of the Project Bonds then outstanding and accrued interest thereon to be immediately due and payable;

(b) incur and pay such reasonable expenses for the account of the Authority as may be necessary to cure the cause of any default;

(c) proceed to protect and enforce its rights under the Project Bonds and this resolution by a suit, action or special proceeding at law or in equity, either for the specific performance of any covenant or agreement or execution of any power or for the enforcement of any proper legal or equitable remedy as may be deemed most effectual to protect and enforce such rights, including, without limitation, the fixing of rates and the collection and proper application of the revenues of the System and the appointment of a receiver having full power to administer and operate the System.

Section 7.2. Remedies Cumulative. No remedy conferred hereby is intended to be exclusive of any other remedy, and every remedy shall be cumulative and in addition to every other remedy herein or now or hereafter existing in equity, at law or by statute.

ARTICLE VIII

Miscellaneous

Section 8.1. Authority of Officers and Agents. The officers and agents of the Authority shall do all acts and things required of them by this resolution, the Project Bonds and the Act for the complete and punctual performance of all the terms, covenants and agreements contained therein.

Section 8.2. Conditions Precedent. Upon the issuance of the Project Bonds all acts, conditions and things required by the Constitution and statutes of the Commonwealth of Virginia or this resolution to happen, exist and to be performed precedent to or in the issuance of the Project Bonds shall have happened, exist and have been performed.

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Section 8.3. Severability. If any court of competent jurisdiction shall hold any provision of this resolution to be invalid or unenforceable, such holding shall not invalidate any other provision of this resolution.

Section 8.4. Successors and Assigns. All the covenants, stipulations, promises and agreements of the Authority contained in this resolution shall bind and inure to the benefit of its successors and assigns, whether so expressed or not.

Section 8.5. Headings. Any headings in this resolution are solely for convenience of reference and shall not constitute a part of the resolution nor shall they affect its meaning, construction or effect.

Section 8.6. Incorporation of Recitals. The recitals in the “whereas” clauses above are hereby found and determined to be a part of this resolution.

Section 8.7. Trust Funds. In accordance with Section 15.2-5140 of the Act, any officer to whom, or any bank, trust company or other fiscal agent to which, moneys received pursuant to the Act are paid shall act as trustee of such moneys and shall hold and apply the same for the purposes provided in the Act, subject to such regulations as this resolution may provide.

Section 8.8. Filing of Resolution. The Secretary of the Authority is directed to file a certified copy of this resolution with the Circuit Court of Pulaski County, Virginia, pursuant to section 15.2-5126 of the Act.

Section 8.9. Repeal of Prior Resolution. The Authority hereby repeals the resolution adopted by the Authority on November 10, 2010 and entitled “A RESOLUTION AUTHORIZING THE CONSTRUCTION AND FINANCING OF IMPROVEMENTS TO THE WATER AND SEWER SYSTEM OF THE PULASKI COUNTY PUBLIC SERVICE AUTHORITY AND THE ISSUANCE, SALE AND AWARD OF A WATER AND SEWER REVENUE BOND NOT TO EXCEED \$3,812,000, AND PROVIDING FOR THE FORM, DETAILS AND PAYMENT THEREOF.”

Section 8.10. Effective Date. This resolution shall take effect immediately.

Voting yes: Mr. Conner, Mr. Dean, Dr. Warren, Mr. Loyd,
Mr. White.

Voting no: none.

Not present: Mr. Crawford.

3. Operations

a. Minutes of Previous Meeting

On a motion by Mr. Loyd, seconded by Mr. White and carried, the Board approved the December 14, 2010 minutes as presented, and amended to clarify wording related to the approval of bonus payments.

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Voting yes: Mr. Conner, Mr. Dean, Dr. Warren, Mr. Loyd,
Mr. White.

Voting no: none.

Not present: Mr. Crawford

b. Inmate Availability Report

Staff reported the PSA generally had use of two inmates per day for the month of December.

Staff also noted a copy of the Regional Jail Inmate Workforce User Agreement had been included in the Board packet.

c. Drop Site Total & County Landfill Tonnage Report

Staff reported the following drop site total and county landfill tonnage:

DROP SITE TOTAL			
FOR THE MONTH OF DECEMBER 2010			
Site	Trips	Tons	Tons per haul
Dora Highway	17	41.18	2.43
Dublin	19	66.74	3.71
Fairlawn	1	10.44	10.44
Totals	37	118.36	3.20

County Landfill Tonnage
(County customers & Refuse Department Haulers)
(for the Month of December 2010)

Commercial	Residential	Tires	Brush
1862.26	949.15	1	11.43

Mr. Loyd noted a substantial decrease in drop site totals. Mr. Huber advised the drop was most likely due to the winter months.

d. Personnel Changes

The Board reviewed an updated report on recent personnel changes, as prepared by Norma Spence.

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e. Inclement Weather Policy Revisions

Mr. Huber explained the proposed amended policy, specifically related to the work schedule of the PSA Refuse Department and the reassignment of duties when PSA trucks are not operational.

Board members questioned the number of employees to be affected, the county buildings requiring snow removal, any extra equipment to be required, the current practice for employees when trucks are not operational, and the reasoning for the PSA policy amendment going to the Board of Supervisors for approval.

On a motion by Mr. Loyd, seconded by Mr. White and carried, the Board delayed action to February meeting to allow for review by staff, with specific language to be included allowing for work in a variety of unspecified locations.

Voting yes: Mr. Conner, Dr. Warren, Mr. Loyd, Mr. White.

Voting no: Mr. Dean

Not present: Mr. Crawford

Dr. Warren noted a correction should be made to the Personnel Policy under the Inclement Weather section to change the word "irregardless" to "regardless".

f. Sewer Vacuum Truck

Mr. Huber explained the sewer departments need of a truck equipped to properly unblock and clean sewer lines, noting currently, the extent of the PSA "unblocking" equipment is a gas powered flexible sewer rod. Mr. Huber proposed contracting with the Town of Pulaski for the use and operation by PSA employees of their vacuum and video trucks with the PSA paying an hourly rate representative of the expected true cost of purchasing and maintaining trucks of this type.

Board members posed questions to staff regarding anticipated costs, training needed to operate trucks, and how often trucks are needed.

By consensus, the Board authorized proceeding with a formal contract with Town of Pulaski.

Mr. Hiss advised he also plans to discuss the matter with the PSA's insurance company.

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4. Informational Items

a. Notice of Violation – Water Treatment Plant

As reported in the Board packet, the PSA received a Notice of Violation from a Department of Health inspection of the Water Treatment Plant related to the operation of the plant by inadequately licensed personnel.

Board members questioned the process used for notifying the PSA of violations, as well as questioned if the violations jeopardize PSA operations. Mr. Huber explained the process for the PSA receiving notifications and advised the violation had been corrected through the hiring of a Water Treatment Plant Class 1 Operator.

b. Montgomery Regional Solid Waste Authority Rate Changes

Included in the Board packet was correspondence notifying the PSA of elimination of charges for source separated fiber and variable payment for cardboard.

c. ReStore Thank You

Included in the Board packet was a recent letter from Habitat for Humanity expressing appreciation for access to items from the Drop Center.

d. Drop Site Location

As included in the Board packet, staff reported Pulaski Town Manager John Hawley advised an attempt was made to obtain the environmental information requested by the PSA, with the EPA planning to make a visit to the site, walk it with the town and allay any concerns that may exist.

5. Current Authorized Projects

The Board noted the following current authorized projects:

- a. Construction of water and sewer service to mobile home parks
- b. Construction of Rolling Hills, Orchard Hills, Vista, and Highland Park sewer
- c. Skyview/NRV Fairgrounds sewer engineering and environmental reports
- d. Commerce Park Utility engineering, easement acquisition and construction

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- e. Evaluation of "radio read" water meter option
- f. Lakewood Estates emergency management plan
- g. Drop Center location serving South side of Claytor Lake
- h. Evaluation of joint negotiation of rail crossing fees
- i. Report on Balance of Sewer Revenues and Expenditures

Mr. Loyd questioned how many of the current authorized projects are active and inactive and suggested staff separate the Current Authorized Project into two categories listing projects separately which are "Active" and "Pending".

6. Other Matters

There were no other matters presented.

7. Adjournment

On a motion by Mr. Loyd, seconded by Mr. White and carried, the Board adjourned its regular January meeting. The next regular meeting of the PSA Board is scheduled for Tuesday, February 8, 2011 at 9:00 a.m. in the Board Room of the County Administration Building, 143 Third Street, NW, in the Town of Pulaski.

Voting yes: Mr. Conner, Mr. Dean, Dr. Warren, Mr. Loyd, Mr. White.

Voting no: none.

Not present: Mr. Crawford

Douglas Warren, Chairman

Hollis Loyd, Secretary/Treasurer